

THEORY PROGRAM

FORTNIGHTLY REVIEW [FNR]

Suggested 'Answers'

FNR: **02**

Issued on:

AL - 2023

Due on:

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

Part [A]

Question	Answer	Question	Answer
01	4	16	4
02	3	17	2
03	1	18	2
04	1	19	2
05	4	20	3
06	3		
07	4	(I)	True
08	4	(II)	True
09	4	(III)	False
10	4	(IV)	True
11	3	(V)	True
12	4	(VI)	True
13	2	(VII)	False
14	2	(VIII)	False
15	3	(IX)	True
		(X)	True

Part [B]**Question (01)**

- Use of relatively **scarce resources**
- **Alternative uses** of resources
- Unavoidable/compulsory **choice** (essential trade-off)

[01 mark each, total 03 marks]**Notes:**

- Economic cost is opportunity cost
- Defining opportunity cost or explaining the conditions is not expected in the answer for this question

Question (02)

Economic Resource	[A] Reward	[B] Distinguishing Feature	[C] Nature of Mobility
Land	Rent	Natural resource (Gift of nature)	GEO: Immobile
			OCC: Generally mobile
Capital	Interest [Interest Rate]	Man-made real assets (Produced inputs)	GEO: Generally mobile
			OCC: Mostly mobile , can be immobile if job specific
Labour	Wages [Wage Rates]	Physical and mental efforts of Humans (Human resource/live resource)	GEO: Generally mobile
			OCC: Generally mobile
Enterprise	Profits	Special type of Human Resource (Starting a business and bearer of risk)	GEO: Generally mobile
			OCC: Generally mobile

[01 mark for each correctly stated attribute, sub-total 03 marks per economic resource, and total marks 12 (= 3 x 4)]

Note: using a table or schedule format is not a must, and other formats are accepted

Question (03)

Labour as a factor of production refers to the mental and physical efforts of humans used in the process of producing goods and services.

[01 mark]

The labour strength or capacity is measured using labour hours. The payment for labour in economics is termed as 'Wages' (Price of labour is wages)

[01 mark]

Some of the principal features of Labour can be stated as follows:

- Labour is a live resources or factor
- Labour is a mobile resource (occupational and geographical)
- Labour is not person or the labourer, rather only the physical or mental efforts of the labour unit.
- Quality of labour is different from one person to another (non-homogeneous).
- The productivity of labour can be improved through education, training and technology.
- Demonstrates ability to make decisions and organize
- There is an interrelationship between time and labour (with time, labour is also foregone)

[01 mark each, Maximum 03 marks]

[Total 05 marks]

Question (04)

The determinants of the Level of Labour Resources of a country can be stated as follows:

- Population Size
- Health standards and physicality of the population
- Education standard and skills level of the population

[01 mark each, total 03 marks]

Question (05)

Division of labour is the separation process into a number of tasks, with each task performed by a separate person or group of persons, instead of all tasks being performed by the same person or the same group.

It is generally applied in organizations engaging in mass or large-scale production, specially using assembly line and automated modern production.

[02 marks]

Specialization can be defined as specialized skill or knowledge gathered by focusing on an individual effort of a single task. Thus specialization is generally a result of division of labour

[01 mark] [Total 03 marks]

[Answer Source: P.Perera, 2020; p 33]

Question (06)

- The entrepreneur shall **mobilize production factors** and take the initial step of engaging in a process of producing goods and services.
- The entrepreneur shall **introduce innovation** from a business perspective, i.e., he or she shall introduce new goods, new equipment, new production methodology, and business organizations.
- The entrepreneur provides **risk capital**, i.e., he or she shall combine resources and engage in producing an innovative good or service which may or may not be successful in the marketplace. The entrepreneur shall receive profits if the product is successful and faces the risk of incurring losses.
- The entrepreneur is expected to make basic **strategic business decisions** and formulate **policies** upon which business activities shall be conducted.

[02mark each, total 08 marks]

Note: defining entrepreneurship is not required

Question (07)

- The amount of output that can be produced with a given quantity of resources or the output per unit of input, under a normal rate of use.
- Productivity can be measured in real terms, by estimating the average output of a unit of input [Output divided by inputs]:

$$\text{Productivity} = \frac{\text{Output}}{\text{Inputs}}$$

- As a concept productivity can be seen as the ability or potential of a factor of production to produce an output.
- Productivity can be separately estimated for each production factor: labour, land and capital productivity.

[½ marks for each point, subtotal 02 marks]

Note: paragraph format is accepted

Factors Deciding 'Labour' Productivity can be given as follows:

- Physical Capital
- Human Capital
- Natural Capital
- Social Capital
- Technological knowledge
- Division of Labour
- Attitudes and incentives

[01 mark each, subtotal 04 marks, provided the four capitals are stated]

[Total 05 marks]

Question (08)

- [A] Products as Goods and Services: **Tangibility** [Alt. Tangible Vs. Intangible]
- [B] Resources as Economic and Free: Relative **Scarcity** or [Alt. **Opportunity Cost**]
- [C] Output as Consumer and Capital: **Usage** [Alt. Purpose of use]
- [D] Goods as Pure Public and Pure Private: **Rivalry and Excludability**
Alt. [Rival Vs. Non rival in consumption]
[Excludable Vs. Non excludable]

[01 mark each, total 04 marks]

Alt: Alternative answer

Question (09)

01	Supply of Food , which provides the minimum requirement of calories and nutrition
02	Minimum requirement Clothing
03	Shelter , with minimum space and ventilation
04	Basic Health care facilities, Sanitation and supply of clean drinking Water
05	Basic school Education

[01 mark each, Total 05 marks]

Explanation is not expected